

MIRAPOST

Maldives tax system –
“self-assessment” system



Important Deadlines:

28 July 2024

- Submission of GST Return and Payment June 2024 and 2nd Quarter of 2024
- Submission of Airport Tax & Fees Return and Payment for June 2024
- Submission of Green Tax Return and Payment for June 2024

31 July 2024

- Submission of Income Tax 1st Interim Return for 2024 & making payment



MALDIVES
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First interim deadline for the tax year 2024 is 31 July 2024

If your tax payable for the tax year 2023 was an amount more than MVR 20,000, it is mandatory to file an interim return for the tax year 2024. If the accounting period for the tax year 2023 was less than 365 days, MVR 20,000 has to be annualized accordingly and check if you are required to file interim return. If 2024 is your first tax year and estimated tax payable for the year is more than MVR 20,000, you are required to file an interim return. If your income is derived solely from employment and remuneration is received from only one payer, you are not required to make an interim payment.

Each year you are required to make two interim payments. The deadline to submit first interim return and make payment for the year 2024 is 31 July 2024.

The first and second interim payment for the year

2024 will be half of the total tax paid in the tax year 2023. However, If you have reasonable grounds to believe your tax payable for the tax year 2024, will be less than that of 2023, you may estimate your interim payments in accordance with the Regulation. However, if tax payable for the year 2024 is greater than 20% of estimated interim payments, each interim payment payable for 2024 is deemed to be half of tax payable for 2023. The additional amount would be considered as due and a fine would be charged on the amount.

Interim return is MIRA 603 form. If you fail to submit interim return by the deadline, a fine of MVR 50 per day of delay will be imposed along with a fine of 0.5% of any tax payable. If you fail to make interim payment by deadline, a fine of 0.05% of outstanding amount will be imposed per day of delay.

GST deadline for the month of June 2024 and 2nd quarter of 2024 is 28 July 2024

The deadline for GST registrants to file GST return and make payments for the month of June 2024 and first quarter of 2024 is 28 July 2024. Therefore, monthly filers as well as quarterly filers need to file their GST returns before the above-mentioned deadline.

Even if the business has been temporarily closed or the business has applied for deregistration, you must continue to file your GST return until your GST deregistration is confirmed by MIRA in writing.

Taxpayers whose total annual income for the taxable periods ended in the previous tax year amounted to MVR 2,500,000 or more or registered in tourism sector are required to submit their GST return via MIRAconnect. Moreover, those required to

submit an input tax information sheet in respect of capital expenditure must submit their GST returns through MIRA's online portal "MIRAconnect". Furthermore, taxpayers, whose total annual income for the taxable periods ended in the previous tax year amounted to MVR 20,000,000 or more, are required to pay GST and all fines relating to GST via MIRAconnect or MRTGS. MIRA advice, those who are not mandatory to file online, also to submit their tax return via MIRAconnect. GST "nil-return" can be filed either via MIRAconnect or VaaruPay.

If the GST return is not filed by the deadline, a late filing penalty of MVR 50 per day and 0.5% of the GST liability would be imposed as fines. Additionally, if GST is not paid by the deadline, a late payment penalty at the rate of 0.05% of the outstanding amount per day would apply.

The Maldives tax system – A “self-assessment” system

Mariyam Waheed, Senior Tax Officer, Tax Academy

A modern tax system was introduced to the Maldives with the introduction of the Tax Administration Act in 2010. The Tax Administration Act is the broad framework which lays out the mechanism for the collection of taxes and defines the responsibilities and rights of the taxpayer. In that regard, the Maldives tax system is a “self-assessment” system.

The “self-assessment” system requires taxpayers to fulfill their obligations under the laws and regulations on their own, without the intervention of MIRA. As a result, taxpayer must determine whether he is obliged to register with MIRA or submit tax returns, as well as calculate his tax payable and pay it to MIRA. One of the fundamental principle of the “self-assessment” system is, unless proven otherwise, MIRA will always believe that taxpayers have acted in accordance with laws and regulations. Therefore, MIRA, on the face of it, will believe that the tax calculated in the return and paid by the taxpayer is correct.

In a “self-assessment” system, it is the responsibility of MIRA to ensure that the taxpayer complies with the laws and regulations and that they pay the correct amount of tax. Under this system, it is MIRA’s responsibility to ensure that taxpayers required to register with MIRA have registered and that taxpayers who are required to register but have not yet registered are notified to register, confirm the tax amounts calculated in the tax returns are in accordance with the tax laws, and recover any outstanding tax amounts. MIRA will validate the actions of the taxpayer and the amounts disclosed in taxpayer’s self-assessment, based on risk, through compliance actions. This includes MIRA’s tax audits and investigations. In an audit or investigation, MIRA will analyze taxpayer’s records and financial accounts, and if MIRA determines that the amount declared by the taxpayer

is incorrect, MIRA will issue a tax assessment.

If the taxpayer disagrees with any decision made by MIRA or the Commissioner General of Taxation, they can object to the decision. If the taxpayer objects to a decision, the objection must be submitted to MIRA in writing within 30 days from the date of notification of that decision. If the taxpayer is not satisfied with the decision made by MIRA in the objection stage, the taxpayer has the option to appeal the decision at the Tax Appeal Tribunal within 60 days from the date on which a decision was made by MIRA on the notice of objection. Furthermore, if the taxpayer or MIRA believes that the decision passed by Tax Appeal Tribunal is against the laws and regulation, the decision can be appealed to the High Court. A finality to these disputes would be brought by the Supreme Court.

Under the Tax Administration Act, MIRA has the authority to act against taxpayers who don’t comply with tax laws. Thus, if the taxpayer has not registered for tax or has not submitted their tax return, or has not paid tax, they will be issued with a penalty notice, imposing a fine. It is also the responsibility of MIRA to recover the outstanding amount from the taxpayer in case the taxpayer defaults on the tax payment. To recover these amounts, MIRA adheres to the enforcement policy. The policy also provides tax leniencies to taxpayers. These includes providing taxpayers the opportunity to make payments in installments. Furthermore, taxpayers have the option to request the waiver of penalties for non-registration, failure to file a return, and non-payment of taxes.

In a ‘self-assessment’ system, both MIRA and taxpayers play a vital role. MIRA will assist and guide taxpayers to make tax compliance easy.



Who is obligated to fulfill tax obligations after taxpayer's death?

Mariyam Waheed, Senior Tax Officer, Tax Academy

Mariyam Shaliya, Senior Tax Officer, Tax Academy

Businesses must be registered in MIRA under the legal owner's name for tax purposes. If a business is owned by an individual, it must be registered in that person's name.

In the event of the taxpayer's death, the heirs must notify MIRA within 30 days of the death. When notifying MIRA of the taxpayer's death, they must provide an official certificate or a copy of such document that verifies the taxpayer's death. The heirs of the deceased are responsible for making an application to a court of law to determine a person(s) to be in charge of the deceased person's tax obligations within 60 days from the date of the death. If the taxpayer's heirs do not make an application to the court within 60 days following the taxpayer's death, MIRA will file an application with the court to decide who will be in charge of the taxpayer's tax obligations.

Once a person has been officially appointed as the person in charge of the deceased person's tax obligations, they must fulfill all the pending tax obligations of the deceased taxpayer. Even if the taxpayer has been deceased, the person responsible for the tax

obligations of the deceased will have all the rights and privileges that would have been accorded to the deceased under tax laws had the deceased been alive.

Death of a person registered for income tax

In addition to the obligations outlined above, in the event of a death of a taxpayer registered for income tax, the Income Tax Regulation specify the responsibilities of the heir or the person in charge of the deceased person's tax obligations. If the deceased taxpayer has any outstanding income tax obligations, or if it can be expected that an obligation may arise as regards the deceased person's final accounting period or month, the heirs of the deceased taxpayer must fulfill those obligations.

For income tax purposes, the final day of the accounting period of the deceased taxpayer will be the date of the death. If any tax is due for the period it must be paid to MIRA. However, based on the tax payable for the final accounting period of the deceased taxpayer, they are not required to pay interim.

The responsible person must

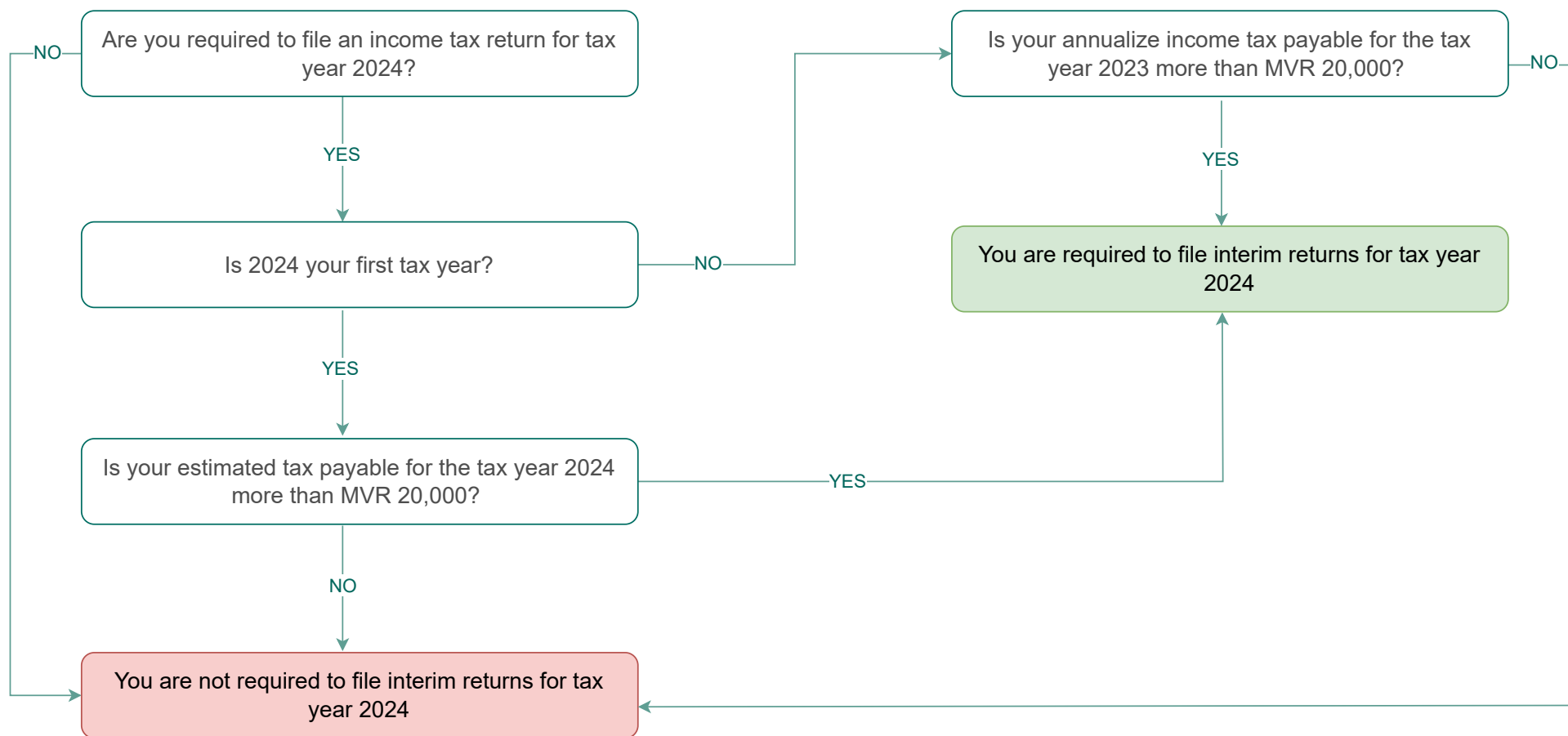
submit the relevant tax returns and make the tax payments. The deadline to submit the income tax will be the 30 June of the year following the tax year or the 30th of June following the date of appointment of a person by a court of law to oversee the deceased person's tax obligations, whichever comes later.

Any obligations arising from employee withholding tax or non-resident withholding tax concerning a business registered in the name of a deceased person must be deemed to be the obligations of the person running the business, and he must fulfill all those obligations. The person who derives income from the business of the deceased will be fully responsible to account for tax in respect of such income.

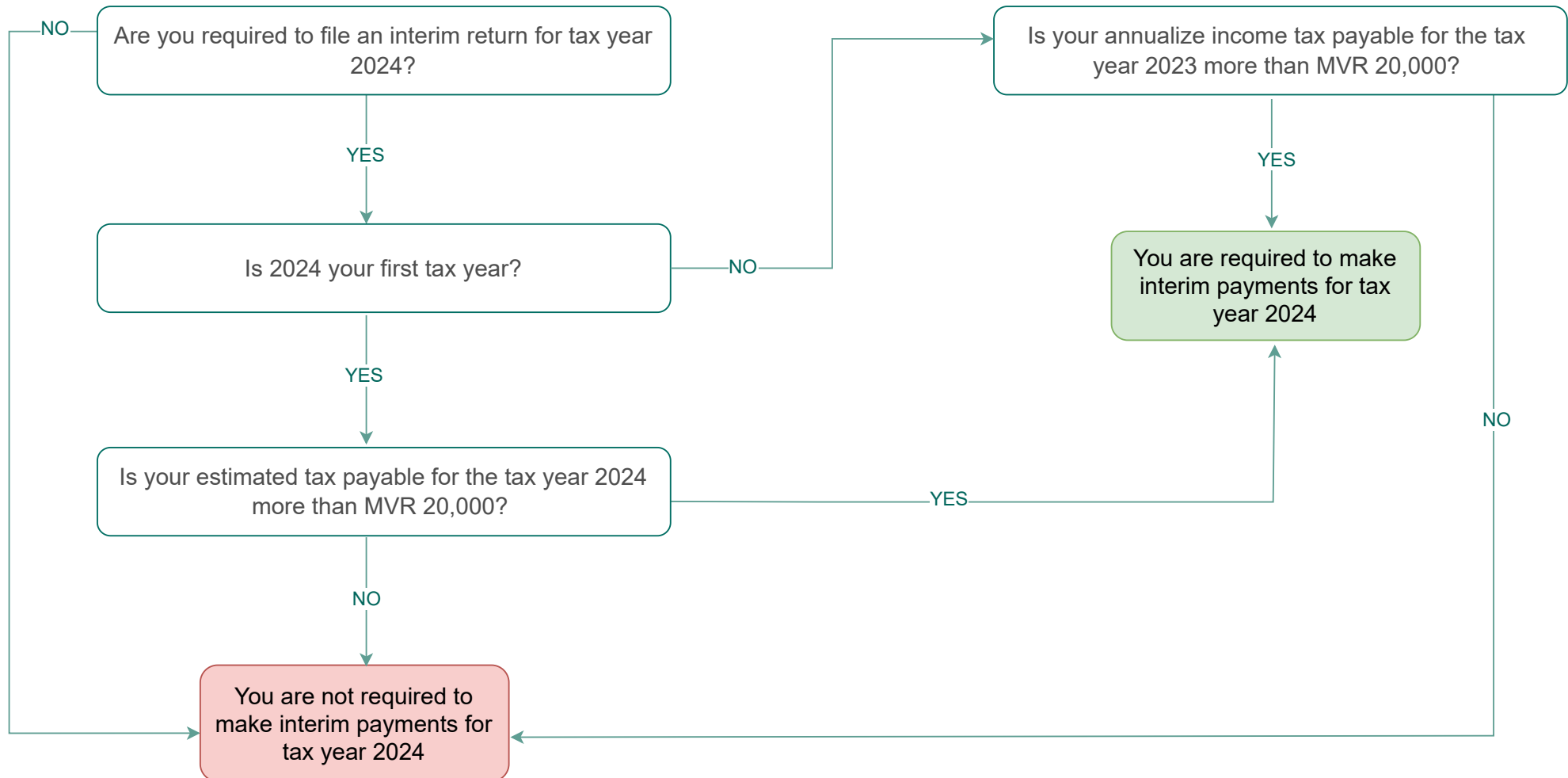
In the event of the death of a taxpayer, who has made a payment of more than the requirement amount to MIRA, the overpaid amount may be refunded to the heirs of the deceased, upon their request, in a manner determined by a court of law, and, in such cases the amount to be refunded will first be set off any amounts overdue and outstanding by the deceased.



Requirement to file interim return (MIRA 603) for the tax year 2024



Requirement to make interim payments for the tax year 2024



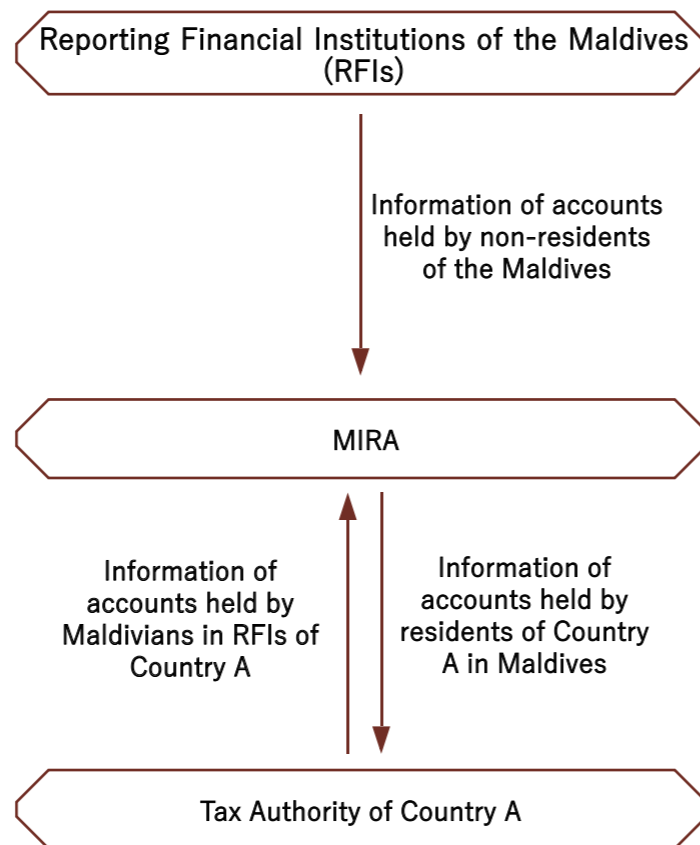
Exchange of financial account information: Common Reporting Standards (CRS)

Mariyam Shaliya, Senior Tax Officer, Tax Academy

The Global Financial Crisis of 2008 led to tax losses estimated in the billions for the government of the United States (US) alone. This uncovered yet another crisis – the widespread tax evasion whereby the citizens and residents of the US hold money and financial assets outside the country. To combat the resulting revenue losses, the Foreign Account Tax Compliance Act (FATCA) was enacted in 2010, which required US taxpayers and foreign financial institutions (FFIs) to report information on financial accounts held by US taxpayers to the Internal Revenue Services (IRS).

The enactment of FATCA created significant political momentum for the development of a global automatic exchange standard, which led to a formal request by the G20 to the Organisation for Economic Co-operation and Development (OECD) in September 2013. The text of the Common Reporting Standard (CRS) was approved by the OECD in June 2014 and was endorsed by the G20 in September 2014. The movement further expanded when the Global Forum initiated a commitment process among its members. As of now, over 100 countries have adopted the global standards, including the Maldives.

CRS requires financial institutions of the Maldives to collect and report financial information of non-resident account holders in the Maldives to the MIRA. MIRA then exchanges this information with the countries where the account holder is a resident. Reciprocally, MIRA will receive information of residents of the Maldives who are account holders in such foreign countries. The information is exchanged automatically between reportable jurisdictions through the Automatic Exchange of Information (AEOI) mechanism



Legal Framework

The Multilateral Convention on Mutual Administrative Assistance in Tax Matters (MAAC) and the Multilateral Competent Authority Agreement (MCAA) make up the international legal framework for CRS, protect the rights of taxpayers, and provide administrative cooperation between members of the convention. Maldives became a signatory to the MAAC on 11 August 2021, followed by the adoption of MCAA by the Maldives.

The Tax Administration Act of the Maldives provides the legal authority for MIRA to obtain information from financial institutions and exchange such information with relevant jurisdictions, in accordance with the

international legal framework. Consequently, this creates an obligation for the financial institutions of the Maldives to provide the required information under CRS to MIRA.

This article will briefly highlight the main obligations of financial institutions of the Maldives under CRS. Detailed guidance on Common Reporting Standard (CRS), along with definitions of specific terms used in this article is on our Guide to Automatic Exchange of Information.

Obligations of Reporting Financial Institutions (RFIs) of the Maldives

Step 1: Register as a RFI

If a financial institution is determined as a RFI, the financial institution must apply for registration within 90 days of such determination. RFIs who are required to register and must submit 'Registration of Financial Institutions' (MIRA 119) form together with the relevant information and documents specified in the form.

Step 2: Identify Reportable Accounts of the RFI

An account of a RFI is a reportable account if the account holder is an individual or entity that is a resident of a reportable jurisdiction. In addition, an account of the RFI held by a Passive Non-Financial Entity (NFE) is a reportable account if the controlling person(s) of the NFE is a resident of a reportable jurisdiction.

In a nutshell, if the account holder is a resident of a reportable jurisdiction, the account is a reportable account. As Maldives has adopted the wider approach to CRS, all jurisdictions other than the Maldives are

considered as reportable jurisdictions, regardless of whether the country is a signatory of the MAAC.

Hence, RFIs of the Maldives are required to identify the residency of all account holders, and prepare due diligence for all accounts held by non-residents.

Step 3: Prepare Due Diligence

RFIs are required to prepare due diligence of pre-existing individual and entity accounts (accounts maintained at the RFI as of 31 December 2020) and new individual and entity accounts (accounts maintained by an RFI opened on or after 1 January 2021).

Due Diligence of new accounts

Upon opening a new account, the RFI should obtain a self-certification from each account holder. The self-certification process requires new account holders to certify a number of details about themselves, in order to determine their residency.

In addition, it is the obligation of the RFI to confirm the reasonableness of such self-certification based on the information and supporting documents submitted by the account holder during the process of account opening. Documentation collected pursuant to AML/KYC procedures can also be used to confirm the self-certification of entity accounts.

If a self-certification is determined to be incorrect or unreliable, the RFI must obtain another valid certification or a reasonable explanation and appropriate documentation that supports the accuracy of the original self-certification

Validity of self-certification

For the self-certification of a new individual account to be valid, it should be signed by the account holder. The self-certification of new entity accounts must be signed by the person with the authority to sign for the account holder, and must contain the following information of the account holder.

- a) name;
- b) address;
- c) jurisdiction(s) of residence for tax purposes; and
- d) TIN with respect to each Reportable Jurisdiction.

For individual accounts, the date of birth of the account holder must also be included, in addition to the above information. The address of individual account holders must be their residence address.

If the RFI knows or has reason to know that the circumstances of the self-certification has changed, that self-certification becomes invalid. In such cases, the RFI must treat the person as both a resident of the jurisdiction in which the account holder claimed to be resident in the original self-certification, and the jurisdiction in which the account holder may be resident due to the change in circumstances.

Step 4: Reporting to MIRA

RFIs are required to report the following information to MIRA on an annual basis.

1. Identification information: information concerning the identification of the Account Holder.
2. Account information: information to identify the account and the Financial Institution where the account is held.
3. Financial information: information in relation to the activities taking place in the account and the account balance.

This information must be submitted online in the CRS XML Schema format.

Step 5: Record-keeping

RFIs are required to keep records of the steps they have taken and the evidence they have relied upon for the performance of their CRS obligations. This includes keeping records of failure to obtain a required self-certification.

All relevant records must be kept as per the record-keeping requirements prescribed in Chapter 3 of the Tax Administration Regulation.

The deadline for RFIs of the Maldives to submit CRS report to MIRA is 31 July of the subsequent calendar year.



Experience the revamped "MIRAconnect" portal, a strategic initiative by MIRA aimed at enhancing the functionality and user-friendliness of our online services!

Wherever you are, file your tax returns and pay your taxes with a few clicks.

Anytime, Anywhere.



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